

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

AF-06 ARA-06 EA-06 NEA-10 /125 R

DRAFTED BY EB/OT/TA DGRIMMER:LV

APPROVED BY EB/OT/TA:WGBARRACLOUGH

STR:ELAPP

USDA GOODMAN

TREASURY:COUELETTE

EUR/CAN:HOLTON

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA PRIORITY

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E.O. 11652:N/A

TAGS: ETRD, CA, GATT

SUBJECT: US-CANADIAN EGG AND TURKEY TRADE CONSULTATIONS

REF: OTTAWA 2146

1. ON JUNE 11 CANADIAN DELEGATION LED BY L.J. TAYLOR, GENERAL DIRECTOR, WESTERN HEMISPHERE BUREAU, (IT&C) MET WITH DEPUTY ASSISTANT SECRETARY GLITMAN AND RICHARD GOODMAN, ASSOCIATE FAS ADMINISTRATOR, USDA, AND OTHER REPRESENTATIVES OF WASHINGTON AGENCIES TO INFORM THE U.S. OF MODIFICATIONS IN THE CANADIAN EGG MARKETING AGENCY (CEMA) AND CANADIAN TURKEY MARKETING AGENCY (CTMA) WHICH THE GOC PLANS TO IMPLEMENT IN THE VERY NEAR FUTURE.

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2. GLITMAN OPENED BY NOTING THAT THE U.S. WAS PLEASED WITH THE GOC REQUEST TO CONSULT WITH THE U.S. BEFORE ADOPTING MODIFICATIONS OF THE EGG AND TURKEY MARKETING AND IMPORT QUOTA PROGRAMS. HE REITERATED THE U.S. POSITION THAT SERIOUS PROBLEMS STILL REMAIN REGARDING THE EFFECTIVENESS OF EXISTING DOMESTIC SUPPLY CONTROLS AND RECONCILIATION OF IMPORT QUOTAS WITH GATT. HE NOTED U.S. DISAPPOINTMENT IN THE GOC FAILURE TO RESPOND TO THE U.S. QUESTIONS SUBMITTED TO IT LAST DECEMBER AND EXPRESSED THE HOPE THAT THE PROPOSED CHANGES WOULD REMOVE SOME OF THE DIFFICULTIES IN THE PROGRAM.

3. TAYLOR STATED THAT THE GOC WISHED TO CONSULT ON THE - INTENDED CEMA/CTMA MODIFICATIONS SINCE IMPORT QUOTAS WHICH

AFFECT U.S. EGG AND TURKEY EXPORTS ARE AN INTEGRAL PART OF THE MARKETING PROGRAMS AND WOULD HAVE TO BE MODIFIED AS WELL. HE OUTLINED RECENT FEDERAL-PROVINCIAL AGREEMENTS TO IMPLEMENT SUPPLY MANAGEMENT REFORMS (PRODUCTION AND MARKETING CONTROLS) AND ADDED THAT AS SOON AS CONTROLS ARE FINALIZED (POSSIBLY IN NEXT DAY OR TWO) THE GOC WOULD SCRAP THE PRICE TRIGGER MECHANISM FOR EGG AND TURKEY IMPORTS AND SUBSTITUTE A PERMANENT QUOTA SYSTEM ALLOWING IMPORTS ON TURKEYS EQUAL TO .02 OF ANNUAL CANADIAN TURKEY PRODUCTION AND EGGS EQUAL TO .0036 OF ANNUAL CANADIAN EGG PRODUCTION. THE ALLOWABLE 1975 IMPORT QUOTA WOULD BE BASED ON 1969-73 AVERAGE CANADIAN PRODUCTION USING THE ABOVE IMPORT RATIOS. IN FUTURE YEARS ALLOWABLE IMPORTS WOULD BE BASED ON THE ESTIMATED CANADIAN PRODUCTION FOR THE COMING YEAR, WITH QUOTA ADJUSTMENTS IN THE SUBSEQUENT YEAR IF ACTUAL PRODUCTION DIFFERED FROM THE ESTIMATE.

4. GOODMAN QUESTIONED HOW THE CANADIAN MODIFICATIONS WOULD ENSURE PRODUCER COMPLIANCE WITH THE PROGRAMS AND STRESSED THAT PAST CONTROLS, PARTICULARLY ON EGGS, HAVE BEEN LARGELY INEFFECTIVE. HE ADDED THAT IF THE SITUATION RECURS WHERE IMPORT QUOTAS ARE IMPOSED ON EGGS WHEN LARGE VOLUMES OF CANADIAN EGGS ARE BEING SHIPPED TO THE U.S., THERE IS LITTLE DOUBT THAT U.S. EGG INDUSTRY WOULD SEEK LEGAL RECOURSE. U.S. SIDE STRESSED THAT EVEN IF THE GOC ACHIEVES EFFECTIVE SUPPLY MANAGEMENT, GIVEN THE PERMANENT LIMITED OFFICIAL USE

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NATURE OF THE NEW SYSTEM, WE WOULD NEED A QUOTA WHICH WOULD REFLECT RECENT PERMANENT CHANGES OF INCREASED EXPORTS TO CANADA. THE CANADIAN DELEGATION RESPONDED TO NUMEROUS USDA QUESTIONS ON SUPPLY MANAGEMENT WITH A DETAILED EXPLANATION OF HOW THE NEW PROGRAM WOULD HAVE TEETH IN IT WITH THE PROVINCES POSTING BOND AS SECURITY FOR STIFF PENALTIES FOR OVER-PRODUCTION. EACH PROVINCE WOULD BE BOUND TO CONTROL ITS OWN PRODUCERS USING PRODUCTION AND/OR

MARKETING MECHANISMS. ON THE FAIRNESS OF THE QUOTAS, TAYLOR

MAINTAINED THAT THE NEW IMPORT QUOTA RATIOS WERE ACTUALLY ABOUT 20 ABOVE THE VOLUME OF PRODUCTION-IMPORT RATIO IN 1969-73 AND WHEN CANADIAN PRODUCTION CHANGES THE VOLUME OF ALLOWABLE IMPORTS WOULD ALSO FLUCTUATE SO AS TO MAINTAIN THE IMPORT RATIO. SINCE CANADIAN PRODUCTION COULD BE EXPECTED TO GROW, U.S. EXPORTS WOULD ALSO INCREASE. HE ADDED THAT THE GOC WAS SEEKING FAIR PRICES THROUGH THE PROGRAMS, AND SHOULD CANADIAN PRICES GO TOO HIGH, SUPPLEMENTARY QUOTAS WOULD BE ADOPTED, AT GOC DISCRETION, TO DRIVE PRICES DOWN. SIMILARLY, IF HIGH U.S. PRICES RESULT IN TOO HEAVY AN OUTFLOW OF CANADIAN TURKEYS AND EGGS, THE GOC WOULD IMPOSE EXPORT CONTROLS.

5. IN CLOSING, ASIDE FROM GATT ARTICLE XI CONSIDERATIONS, THE U.S. NOTED IT COULD BE ARGUED THAT THE CANADIAN PROGRAMS RESULT IN AN IMPAIRMENT OF GATT TARIFF CONCESSIONS SINCE BOTH TURKEYS AND EGGS HAVE BOUND RATES. HOWEVER, BOTH DELEGATIONS NOTED THAT THERE WAS NO GATT ARTICLE XI PRECEDENT ON THIS ISSUE. GLITMAN REMINDED THE CANADIAN DELEGATION OF OUR DECEMBER 1974 NOTIFICATION OF THE EGG AND TURKEY PROBLEM TO THEM UNDER GATT ARTICLE XXIII (1), NOTED THERE APPEAR TO BE MANY PROBLEMS WITH THIS TYPE OF PROGRAM, AND SAID THE U.S. WOULD CAREFULLY STUDY THE MODIFICATIONS THE GOC INTENDS TO IMPLEMENT BEFORE MAKING ANY FURTHER RESPONSE. KISSINGER

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